

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2283-01
Bill No.: HB 916
Subject: Employment Security; Labor and Industrial Relations
Type: Original
Date: March 11, 2009

Bill Summary: This proposal bars unemployment benefits if the claimant has an outstanding penalty due that was assessed for a previous overpayment of unemployment benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Special Employment Security Fund	Unknown up to \$166,390	Unknown up to \$166,390	Unknown up to \$166,390
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown up to \$166,390	Unknown up to \$166,390	Unknown up to \$166,390

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Unemployment Compensation Trust Fund	Unknown up to \$3,561,004	Unknown up to \$3,561,004	Unknown up to \$3,561,004
Total Estimated Net Effect on <u>All</u> Federal Funds	Unknown up to \$3,561,004	Unknown up to \$3,561,004	Unknown up to \$3,561,004

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume this proposal will help compel individuals who previously claimed unemployment benefits fraudulently to pay the penalty due to the Division of Employment Security (DES). It will improve the balance of the Unemployment Compensation Trust Fund, from which benefits are paid. Holding an individual ineligible for new benefits until their prior penalty is paid imposes more of a consequence on the individual for fraudulently claiming benefits. This may reduce the number of fraudulent claims.

Overpaid benefits collected from claimants, as well as unemployment taxes paid by employers, are deposited into the trust fund, which can only be used to pay benefits. Penalties collected from claimants are deposited in the Special Employment Security fund, which can be used for administrative expenditures by DOLIR. In most cases, claimants owe both overpaid benefits plus penalty. As of December 31, 2008, there was \$58,824,453 in outstanding overpayments and \$12,314,791 in penalties owed. During calendar year 2007, a total of \$12,253,338 in overpayments was recovered. During fiscal year 2008, DES received \$2,990,690 in penalty income.

As of July 14, 2008, benefits were being paid from the trust fund to 1,011 claimants who owed penalties totaling \$166,390. If these claimants were denied benefits, assuming an average weekly benefit amount of \$253 with a 13.9 average weekly duration, the benefit payout saved per claimant would be \$3,522. If all 1,011 claimants were denied benefits, the potential savings to the Trust Fund would be \$3,561,005 annually. Assuming all 1,011 claimants paid the penalty owed, the Special Employment Security Fund would see additional revenue of approximately \$166,390.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
SPECIAL EMPLOYMENT SECURITY FUND			
<u>Revenue- DOLIR</u> penalties collected	<u>Unknown up to</u> <u>\$166,390</u>	<u>Unknown up to</u> <u>\$166,390</u>	<u>Unknown up to</u> <u>\$166,390</u>
ESTIMATED NET EFFECT ON SPECIAL EMPLOYMENT SECURITY FUND	<u>Unknown up to</u> <u>\$166,390</u>	<u>Unknown up to</u> <u>\$166,390</u>	<u>Unknown up to</u> <u>\$166,390</u>
UNEMPLOYMENT COMPENSATION TRUST FUND			
<u>Savings - DOLIR</u> benefits denied	<u>Unknown up to</u> <u>\$3,561,004</u>	<u>Unknown up to</u> <u>\$3,561,004</u>	<u>Unknown up to</u> <u>\$3,561,004</u>
ESTIMATED NET EFFECT ON UNEMPLOYMENT COMPENSATION TRUST FUND	<u>Unknown up to</u> <u>\$3,561,004</u>	<u>Unknown up to</u> <u>\$3,561,004</u>	<u>Unknown up to</u> <u>\$3,561,004</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

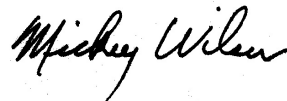
FISCAL DESCRIPTION

This bill specifies that a claimant for unemployment compensation is ineligible to receive benefits or waiting week credit if he or she has an outstanding penalty that was assessed for a previous overpayment of benefits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General
Department of Labor and Industrial Relations

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 11, 2009